

# The Dental Transition

N E W S L E T T E R

## In this issue

### Page 1

Telling Staff About an Impending Practice Transition

### Page 2

The Inflation Effect on Dental Office and Practice Values

## Telling Staff About an Impending Practice Transition

Many doctors find it challenging to tell their staff they are contemplating a practice transition. Their concerns range from fear of staff members leaving to the possibility of patients finding out through the grapevine. Despite any reservations you may have along these lines, it's strongly recommended that you inform the staff of your intentions early on. An opportune time to do so is shortly after formally listing the practice for sale or, at the latest, when a letter of intent has been signed.

Approach the staff during a typical staff meeting and communicate that you are considering bringing another doctor into the practice with the intention of an eventual acquisition. Assure them that their jobs are secure and emphasize their essential role in the practice. Highlight how valuable they will be to the purchaser, and reassure them of the prospective buyer's interest in retaining them

*Despite any reservations you may have along these lines, it's strongly recommended that you inform the staff of your intentions early on.*

as employees. Additionally, promise them the opportunity to meet any potential buyers, as it's crucial for both parties to interact before any purchase.

*Inform the staff that a transition specialist will be available to address any concerns they may have, and to discuss strategies for a smoother transition.*

Based on our experience, most, if not all, staff members are highly supportive of the selling doctor's decision, particularly when they are involved in the process. They offer invaluable insights into selecting the best buyer candidate for the practice and provide invaluable support throughout the transition. Therefore, do not hesitate to involve them in the process. In the rare event that a staff member decides to leave, our experience suggests that they likely had plans to depart regardless and were merely seeking a reason to do so.

*Continued on Page 2*

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT



HUDSON TRANSITION PARTNERS INC  
*Transitions are personal ... so are we!*

## Frequent Questions in a Practice Transition

*Continued from page 1*

Inform the staff that a transition specialist will be available to address any concerns they may have, and to discuss strategies for a smoother transition. Provide them with a two-page handout titled: “Personal Job and Transition Commentary for Staff” questionnaire. This will help the buyer better understand their needs and expectations, and foster trust and rapport between the staff and the buyer.

Regarding patient confidentiality, it’s crucial to trust your staff to maintain confidentiality. Trust is an essential

element of any successful relationship, and by informing the staff of your decision to sell the practice, you’re demonstrating your trust in them. Conversely, attempting to sell the practice discreetly while withholding your true intentions risks undermining the trust you’ve built with your staff. Moreover, staff members who sense that something is amiss may become uncertain about their future and may consider seeking alternative employment. Therefore, to preserve a high level of trust, it’s advisable to involve the staff in the transition process early on.

## The Inflation Effect on Dental Office and Practice Values

Over the past thirty years, inflation as measured by CPI, has averaged 2.6% growth per year. From 2000 through 2020, inflation never exceeded 4%. Beginning in the Spring of 2021 and continuing through the majority of 2023, the annual inflation rate spiked. According to the BLS (Bureau of Labor Statistics) the US annual inflation rates rose to 7% in 2021, 6.5% in 2022, and has settled in at 3.4% in 2023.

The economic pressure has affected dentistry on several levels, most obvious being in the cost of labor, and maintaining core employees. In addition, overhead costs have increased, while insurance reimbursements remain relatively flat.

### Employees

Staffing has quickly become the most important operational component of owning a dental practice. Almost three years removed from the pandemic, and the industry is still feeling the effects of the large portion of employees who left the workforce, never to return. This has created an increased demand for dental support staff, driving up the cost to hire/retain key employees. It has become commonplace to see sign-on bonuses ranging from \$1,000 to \$20,000, depending on the area of need and the scarcity of potential candidates.

The majority of solo practitioner dental offices simply cannot keep up with the larger “DSO” run competitors who have deeper pockets and economies of scale that allow

them to offer more benefits like 401k plans, etc.

Fortunately, paying competitive wages is not the only factor in hiring/maintaining excellent employees. There are many great resources for increasing your HR gameplan. For instance, books like “WHO” discuss having a method for hiring, and focuses on encouraging business owners to treat staff members like customers—with respect. Offer regular and transparent communication. Recognize hard work. Surprise team members with small perks, like lunch or gift cards. Support team building outside of the practice environment.

Staffing can be one of the most overlooked aspects to receiving the maximum practice value. The fact is that most practice valuations are made with the assumption that the full staff will be transitioning with the practice. This is where selling through a professional can make or break your practice transition. Unfortunately, in practice sales done by the wrong company or without a broker, “word can spread” that “Dr X.” is selling. In these scenarios, it’s common for the staff to find out indirectly, and begin looking for that sign on bonus from another local competitor. Transitions typically fall apart if a key staff member leaves during a transition. Confidentiality is key.

### Overhead

General Overhead Cost increases can affect not only operations but values as well. Spending once a year

## The Inflation Effect on Dental Office and Practice Values

Continued from page 2

reviewing your Profit and Loss statements with a qualified dental practice transitions specialist is always a great idea. Not only can you get a snapshot of your current practice value, but you should identify several areas of general inefficiencies that can increase your profitability and hence value for when you do decide to list your practice for sale. In addition, always be searching for strategic investments that will increase your businesses efficiencies (time/cost effect).

### Working on Your Business

Dental practices can approach inflation from many angles. They can invest in technology to keep more cases in-house. They can leverage different strategies to cut costs. They can invest in staff retention. They can take a hard look at optimizing reimbursement rates. All of these strategies can help practices manage their overhead and stay profitable, but guiding a practice through economic pressure begins with the fundamentals.

Focus on operational systems, clearly define the practices mission, and speak with your trusted dental practice transitions specialist. We have the insight for successful dental operations trends and can assist by showing the direction to achieve practice goals.

### Practice Mergers and Acquisitions Affects

Practice valuations are largely tied to profitability. Quite simply stated:

*"Is a \$1,000,000 collecting practice netting \$200k worth the same as a \$1,000,000 collecting practice netting \$400k?"*

---

*All of these strategies can help practices manage their overhead and stay profitable, but guiding a practice through economic pressure begins with the fundamentals.*

---

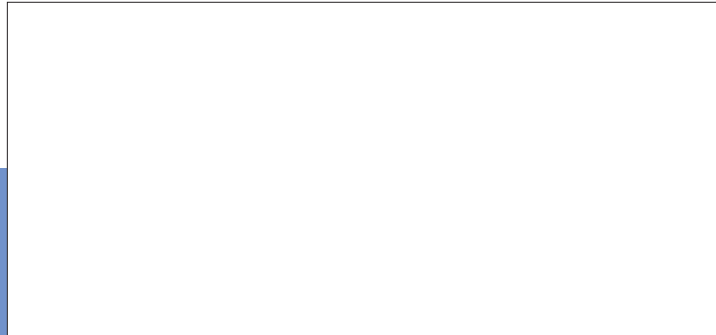
The answer is obvious, which is why focusing on operational efficiencies is the key to gaining a higher value when it comes time to transition your business.

Overall, the largest adjustment in the wake of inflationary pressure on the transition market has been purchasers seeking longer exclusivity periods with more extensive diligence. More than ever, the seller must be prepared to dive deep into their business and share an extensive amount of information to secure the most value for their business.

**Organized presentation of KPI data and Financials is essential to closing a dental transition and cutting the transition timeline to a more palatable level for both buyers and sellers.**

While Inflation hasn't necessarily affected the ability to find purchasers for practices, it has certainly made the world of transitions a more complicated one, which must be navigated with precise systems to achieve the ideal outcome.

Please reach out to us to discuss our transition systems, so that we may plan your transition for the best possible outcome.



A Member of



ARTICLES INSIDE:

*Telling Staff About an Impending Practice Transition*

*The Inflation Effect on Dental Office and Practice Values*

[WWW.HUDSONTRANSITIONS.COM](http://WWW.HUDSONTRANSITIONS.COM)

PRACTICE SALES + APPRAISALS + TRANSITION CONSULTING + ASSOCIATE PLACEMENT

## What Our Clients Have To Say About Us Matters

"I was very satisfied with Brian and Sean Hudson and the smooth transition experience they guided me and my staff through. Their professional approach to every detail and concern removed any apprehensions I may had at the onset. Needless to say, my dental practice was sold within a short period of time. I highly recommend their services. – *Dr. Richard Craybas*

"Hudson Transition Partners could not have been more helpful when I was selling my Dental Practice. Their excellent professional practice evaluation was extremely detailed and invaluable when presenting my practice to potential buyers." – *Timothy Holloway, DMD*

"I worked with Hudson Transition Partners when I was looking to relocate and purchase my first dental practice. From the initial phone call to the closing, they were there for me every step of the way. Their guidance and referrals to other professional sources were invaluable." – *Matthew Whipple, DDS*

---

**Contact us TODAY to schedule a free consultation!**

---